

Message Text

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PAGE 01 STATE 112895
ORIGIN EUR-08

INFO OCT-01 SSO-00 ISO-00 NSC-05 NSCE-00 ONY-00 /014 R

DRAFTED BY EUR:REBARBOUR:GMD
APPROVED BY EUR:RDVINE, ACTING
EUR/WE:KSMITH
DESIRED DISTRIBUTION
EUR AND NSC ONLY

-----172047Z 046661 /72-61

O R 171959Z MAY 77 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY MADRID NIACT IMMEDIATE
INFO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 112895

LIMDIS - FOR ASST. SECY-DESIGNATE VEST FROM VINE, ACTING

E.O. 11652: GDS

TAGS: MARR, MASS, PFOR, PO

SUBJ: AZORES NEGOTIATIONS
REF: LISBON 3891

1. VICE PRESIDENT'S EFFORTS WITH PRESIDENT EANES AND PRIME MINISTER SOARES TO MOVE FORWARD THE LAJES BASE NEGOTIATIONS ARE MOST HELPFUL. I HOPE, HOWEVER, HE DID NOT LEAVE LISBON WITH THE IMPRESSION THAT WE HAVE BEEN DRAGGING OUR FEET. AS HAS BEEN THE CASE FOR THE PAST SIX MONTHS, WHEN WE RESUMED TALKS WITH THE PORTUGUESE ON THIS SUBJECT, THE INITIATIVE LIES NOT WITH US BUT WITH THEM. FOLLOWING IS FOR YOUR BACKGROUND IN CASE SUBJECT COMES UP AGAIN.

2. IN RECOGNITION OF THE PORTUGUESE NEED TO WORK OUT ITS PROBLEMS WITH THE NEWLY AUTONOMOUS AND VERY ASSERTIVE AZOREANS, WE HAVE LET IT BE KNOWN IN THE INFORMAL CONVER-

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SATIONS WE HAVE HAD ON THE SUBJECT THAT WE WOULD BE WILLING TO PROVIDE IN OUR ASSISTANCE TO PORTUGAL A SPECIFIC COMPONENT FOR USE IN THE AZORES. BECAUSE OF PORTUGUESE ECONOMIC DIFFICULTIES, AND IN ORDER THAT THE BASE RENEWAL BE FOR AS LONG A PERIOD OF TIME AS POSSIBLE, (WE WANT 10 YEARS BEGINNING IN FEBRUARY 1974, WHEN THE LAST AGREEMENT EXPIRED) IT SEEMED TO US PREFERABLE THAT THE ECONOMIC

ASSISTANCE PROVIDED UNDER THE EXTENSION AGREEMENT BE IN ANNUAL GRANTS RATHER THAN LOANS, AND WE HAVE OBTAINED WHITE

HOUSE AND OMB PERMISSION (THOUGH WE HAVE NOT YET PUT IT ALL FORWARD) TO OFFER A TOTAL \$60 MILLION IN GRANTS. THIS IS PROBABLY CLOSE TO THE MAXIMUM -- AND MAY EXCEED THE MAXIMUM -- THAT THE AZORES CAN EFFECTIVELY ABSORB NOW.

3. BECAUSE AZOREAN DEMANDS TO THE LISBON GOVERNMENT WERE SO EXORBITANT AND UNREALISTIC (IN THE NEIGHBORHOOD OF \$350 MILLION IN LOANS, A FIGURE THAT WOULD HAVE CALLED FOR SUBSTANTIAL PAYMENTS OF INTEREST ALONE) AMBASSADOR CARLUCCI ADVISED US TO SPEAK IN MUCH SMALLER TERMS TO THE OFFICIALS WHO ACCOMPANIED PRIME MINISTER SOARES TO WASHINGTON LAST MONTH. CARLUCCI'S PURPOSE WAS TO HELP THE CENTRAL GOVERNMENT INDUCE REALITY INTO AZOREAN MINDS, AND WITH HIS ADVICE IN MIND, WE STOPPED SHORT OF OFFERING THE FULL \$60 MILLION MENTIONED ABOVE OR THE PROSPECT OF ANOTHER \$60 MILLION MAP.

4. TAKING INTO ACCOUNT TOTAL U.S. ASSISTANCE EXTENDED TO PORTUGAL SINCE THE EXPIRATION OF THE LAST AGREEMENT AND ADDING WHAT WE FORESEE FOR THE FUTURE, WE ESTIMATE THE TOTAL AMOUNTS WOULD BE SOMETHING LIKE THE FOLLOWING: GRANT MAP, INCLUDING TRAINING - 121.58; GRANT ECONOMIC ASSISTANCE AND REFUGEE RELIEF - 106.25; DEVELOPMENT LOANS - 136.25; EXIM LOANS - 60.40; PL 480 AND CCC - 237.90 (IN MILLIONS OF DOLLARS).

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5. ADDING TO THIS ARE SHORT TERM \$300 MILLION ESF LOAN AND OUR \$300 MILLION PARTICIPATION IN THE COORDINATED LENDING PROGRAM WE ARE NOW PUTTING TOGETHER, A TOTAL OF 1262.38 (IN MILLIONS OF DOLLARS). MOREOVER WE HAVE NOT FORECLOSED THE POSSIBILITY OF DOING MORE EITHER IN DEVELOPMENT LOANS OR BALANCE OF PAYMENTS ASSISTANCE, IF CIRCUMSTANCES REQUIRE.

6. OUR GENERAL APPROACH TO THE NEGOTIATIONS IS TO BE GENEROUS AND TO TAKE FULL COGNIZANCE OF LISBON'S DIFFICULTIES WITH THE AZORES. WE MUST ALSO REALIZE THAT WHEN WE GO TO CONGRESS FOR FULFILLMENT OF THE SPECIFIC PLEDGES WE SHALL MAKE FOR RENEWAL OF THE AZORES AGREEMENT, CONGRESS WILL LOOK AT THE WHOLE PICTURE. BUT WE DO NOT ANTICIPATE GREAT DIFFICULTY IN RECONCILING OUR NEEDS WITH THOSE OF THE PORTUGUESE, AND THAT IS WHY WE KEEP TELLING THEM WE ARE READY TO HAVE FURTHER INFORMAL CONVERSATIONS OR FORMAL NEGOTIATIONS WHICHEVER THEY CHOOSE WHENEVER THEY ARE READY. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDEPENDENCE, NEGOTIATIONS, AZORES, MILITARY BASE AGREEMENTS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Sent Date: 17-May-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE112895
Document Source: CORE
Document Unique ID: 00
Drafter: REBARBOUR:GMD
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770175-0513
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770547/aaaaboui.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9e1f6e91-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 77 LISBON 3891
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2482356
Secure: OPEN
Status: NATIVE
Subject: AZORES NEGOTIATIONS
TAGS: MARR, MASS, PFOR, PO, (MONDALE, WALTER F), (EANES, ANTONIO DOS SANTOS RAMALHO)
To: MADRID
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/9e1f6e91-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009